

**TREASURY EXECUTIVE MINUTE**

Minute No.

25 November 2010

**NBN CO BUSINESS PLAN – KEY POINTS**

**Timing:** For information.

**Issue:** Your office requested briefing on the NBN Co Business Plan, following the release yesterday of NBN Co’s Business Plan summary.

**Noted**

Signature: .....

...../...../2010

**KEY POINTS**

- Attachment A outlines key points from the 36-page NBN Co business case summary, which was released on 24 November 2010.

[s.22]

- The following areas have been consulted in the preparation of this minute: Budget Policy Division, Domestic Economy Division.

Contact Officer:

Acting General Manager  
Infrastructure, Competition & Consumer Division

## **NBN Co Business Case Summary: Key Points**

[s.22]

### **Points of Interconnect & Uniform National Wholesale Pricing**

- The business case summary notes that the Government is yet to make a decision on the final number of Points of Interconnect (POIs).
  - NBN Co's business case assumes that a 14-POI model will be adopted.
  - NBN Co notes that if the Government decides to have a larger number of POIs it will need to take steps to achieve low and uniform wholesale pricing.

## ATTACHMENT A

- : The summary states that 'if that solution does not promote the same intensity of retail competition as the 14-POI option', NBN Co's IRR could decline by 50 to 80 basis points.
- : This statement appears to be based on 'rule of thumb' assumptions about take up of broadband, rather than knowledge of the likely impacts of alternative approaches to uniform national pricing.

[s.22]

[Pages 4-6 have been redacted under s.22]

[s.22]

## **Key sensitivities and risks**

### Points of interconnect (POIs)

- The business case assumes that a 14-POI model will be adopted.
  - A model with greater than 14 POIs is not likely to change capital expenditure, as under the 14 POI model NBN Co would likely lease the bulk of its requirements from existing Telstra backhaul.
  - NBN Co has stated that a model with greater than 14 POIs may not stimulate retail competition to the same extent, with a possible decline in IRR by 50 to 80 basis points.

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[s.34(3)]

[s.22]

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Access undertaking

- NBN Co is required to lodge a Special Access Undertaking with the ACCC, which will establish the prices for key services.

- The ACCC will have six months to accept or reject the access undertaking, subject to extensions of time and ‘clock stoppers’ for requesting further information.
- Lodging the undertaking is contingent on amendments in three pieces of legislation being passed: the Telecommunications Competition and Consumer Safeguards Bill, the NBN Companies Bill, and the NBN Access Arrangements Bill.